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12 January 1979

MEMORANDUM FOR: Director of Central Intelligence
VIA : Deputy Director of Central Intelligence
FROM : Leslie C. Dirks
Deputy Director for Science and Technology
SUBJECT : Comments on Your Draft Annual Report

77 1. In accordance with what I understand to be your request for my personal review on your draft annual report, the following paragraphs pass along several comments.

2. In general I was impressed both in the content and the thrust of your draft. It impressed me as both being suitable for the purpose intended and covered adequately the most important topics that one presumes are of likely interest to the President. However, I suggest two possible additions for your consideration.

3. You may want to insert the following paragraph at the top of page 19: "Particularly with regard to the more sophisticated technical collection resources, we must recognize that from the first day of operation many of these systems are observable to the Soviets. No doubt very shortly after a major new technical collection systems goes into operation, Soviet intelligence begins the process of trying to understand the nature, extent and competence of these systems. It is always difficult for us to understand the details of what the Soviets think they are learning and how fast this process is evolving, but inevitably over time many of our more visible systems are more or less well understood by the Soviets. In some cases this development of Soviet understanding is not especially important to us and does not necessarily have an adverse impact on the utility of these systems for US intelligence purposes. In other cases, the utility of our systems erodes as

25X1

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the Soviet understanding and Soviet ability to implement appropriate countermeasures evolves. The best possible security is obviously imperative, but in the final analysis, the only way of staying ahead of the Soviets is insuring a long range program for bringing into operation new capabilities based on new technology." ALB WFP

4. Second, you might want to consider inserting at an appropriate point in the last full paragraph on page 19, the following: "For example, more intensive and better focused interactions with EUCOM have resulted in much improved coverage of the semi-annual Warsaw Pact Troop rotations."

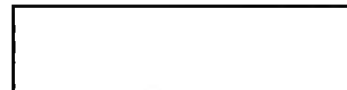
5. Please let me know if I can be of any further assistance as you proceed with the final preparation of your annual report to the President.



Leslie C. Dirks

cc: D/DCI/RMS

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16 JAN 1979

MEMORANDUM FOR: DDCI/RM

ATTENTION :

FROM : John N. McMahon
Deputy Director for Operations

SUBJECT : DCI Annual Report

Relations With FBI

We suggest deletion of the first full sentence and the second sentence in the first paragraph on page 9. The relationships between CIA and the FBI have been steadily improving for a period of several years, most particularly as a result of a concerted effort on the part of DO personnel. They could be considered "revitalized" long before the creation of the Counterintelligence Committee.

Alternatively, the first full sentence could be eliminated and the second can be rewritten to read as follows:

Special new coordinating mechanisms have been established between these two among intelligence agencies with CI responsibilities, the exchange of data on CI between among them has been greatly expanded, and there is a greatly increased periodicity of consultation between among them ranging from the level of the Directors downward.

Human Intelligence

In the sentence ending on line 9 on page 20, we suggest rewording as follows: "...but the risks are can be high."

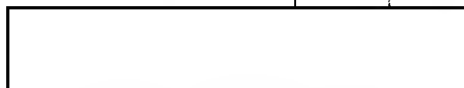
Married Partners

The comment on the impact of married partners on overseas assignments may be overstated. Suggest the phrasedology, "tends to inhibit" instead of "does much to inhibit."

Classification

The paragraph ending in the middle of page 14 should be SECRET.

The paragraph on Human Intelligence should not be unclassified.



John N. McMahon

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Committee, chaired by the Assistant to the President for National Security Affairs, and composed of the Secretary of State, Secretary of Defense, the Attorney General, the Director of the Office of Management and Budget, the Chairman of the Joint Chiefs of Staff, the Director of Central Intelligence, and the Director of the Federal Bureau of Investigation, "...shall develop policy with respect to the conduct of counterintelligence activities," resolve interagency differences, monitor counterintelligence activities, and provide the President with an overall annual assessment of them. The activities of this committee, the SCC(CI), have already generated renewed attention to a previously somewhat neglected counterintelligence function.

Beyond that, I am pleased to report that [with this stimulus] the necessary linkage between FBI and CIA has been further enhanced, and that there is greatly increased consultation between the Directors. *revitalized.* Specific new coordinating mechanisms [between these two agencies] have been established among intelligence agencies with counterintelligence responsibilities and the exchange of counterintelligence data [between them] has been greatly expanded, [and greatly increased.] The periodicity of consultation between them ranging from the level of the Directors downward has been greatly increased.] In sum, the counterintelligence function is receiving much needed additional attention today.

6. Restrictions

One whole section of the new Executive Order

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STAT on the one hand or a tardy reporter of bad bad news on the other. Without making excuses, I would point out that this example also typifies the problem of collecting sensitive intelligence in friendly countries. [In Iran, clearly we were inhibited by our desire not to appear to undercut a friendly government.] Collecting intelligence on opposition movements can easily be misinterpreted. We could have done better and shall. []

Support to Congress

While we have emphasized extending our support to as many of the Cabinet Officers as possible, our parallel efforts to reach more committees of the Congress have not borne as much fruit as we had hoped. Nearly every committee in the Congress involves itself in some subject aspect of international relations. There must be a greater need for information on international trends and events by committees other than our regular consumers in foreign affairs and armed services than we are now fulfilling. Our efforts to bridge the gap and determine where our product can be used have uncovered some new needs but have probably just scratched the surface. []

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THE PROSPECT FORWARD

A number of clearly discernible trends will drive the course of American intelligence in the years ahead. The most obvious of these is the increasing sophistication of our technical means of collecting information. In the 1979 budget,

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established restrictions on various intelligence activities, particularly those which affect the rights of American citizens. These restrictions are an extension and clarification of those enumerated in the previous Executive Order (E.O. 11905, 15 February 1976). They and the entire Executive Order were developed in close consultation with the Senate Select Committee on Intelligence (the corresponding committee of the House not having been in being during most of the formative period), thus establishing a new degree of cooperation in intelligence between the Executive and Legislative branches of our government. ☐

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The same cooperation has been extended in the opposite direction throughout 1978 as the Senate Select Committee on Intelligence developed and held hearings on legislative charters for the Intelligence Community. We are reflecting a balance between the need for statutory guidelines and sufficient hopeful that this will enable us to have charters [and an flexibility to fulfill proper intelligence missions.] Executive Order which will closely dovetail with one another.]

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RELATIONS WITH THE CONGRESS, THE EXECUTIVE AND THE PUBLIC

In 1978, the relationships between the Intelligence Community and the Congress, the agencies and departments of the Executive Branch, and the public have evolved significantly. ☐

The Congress

1978 was the second full year of oversight by the

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Senate Select Committee and the first full year by the House Permanent Select Committee. During the year, many new procedures have been worked out and constructive relationships established. In both the Senate and the House, first authorization bills for intelligence have been acted on. In the process of reviewing ^{and approving} our budget, both Committees, as well as the Appropriations Committees, ^{also made} ^{some} ^{contributions} substantially. For example, Committee questions about a proposed and requirement for specific follow-on reports as to its capabilities and alternatives led to a major restructuring of that program with potential savings of over half a billion dollars. Also, with ^{some} the encouragement of the Select Committees, the ~~Joint~~ ^{Conference} Appropriations Committee of the Congress ^{agreed to} appropriated an additional \$25 million in Fiscal Year 1979 for the purpose of improving our capability to monitor a SALT II agreement.

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This has led to a very constructive reordering of both our Fiscal Year (FY) 1979 and 1980 programs. Looking beyond the budget, the two Select Committees ^{supported changes} assisted the Intelligence Community on ⁱⁿ several pieces of legislation being considered by other Congressional committees ^{to assure the continued effectiveness of various Intelligence Community activities.} [which would have had a deleterious impact on intelligence capabilities.] (TS/TK) Landmark intelligence surveillance

As an example of an area where such support is most helpful, my FY 1980 budget submission contained, as an integral provision, proposed legislative relief from the ^{legislation was enacted through strong Administrative and Congressional support.}

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